

EXHIBIT 218



Equity Research

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Hormel Foods, Inc. (HRL - Hold - \$37.07): Raising Estimates

KEY TAKEAWAY

We have raised our 2018 estimate to \$1.60 from \$1.53 to reflect the Columbus acquisition, as well as the contribution from a lower tax rate, per management's guidance, and to a lesser extent, lower-than-expected interest expense. Our 2019 estimate goes to \$1.51 from \$1.46 for the same reasons. Notably, our estimates do not include any benefit from the tax proposals.

As expected (see our late October report), **packers reduced slaughter rates during November and thus far in December (Hormel announced that it would harvest 4% less hogs in F'18)** following a surprisingly severe contraction in margins during October. That bolstered margins and although the QTD average is below the prior year, it is still strong and currently tracking north of \$50/head, according to our calculations. Still, we have maintained our Q1 estimate at \$0.41, down slightly from the prior year, as management's JOTS projections were somewhat more cautious than we had anticipated. Further, management indicated that earnings growth would be H2 weighted. For the full year, we have projected strong yr/yr growth in Grocery Products and International (China and Cerrati's), but have projected Refrigerated Foods down somewhat, as well as a modest yr/yr decline for JOTS. The Grocery segment should benefit from lower avocado costs (we estimate wider guacamole margins could drive >1/4 of yr/yr growth for the segment), more favorable meat input costs, pricing taken in late 2017, as well as improved results from Muscle Milk.

For 2019, we have projected good growth in all segments except Refrigerated and nearly 15% growth for JOTS, as we anticipate more balanced S/D by then, as well as gains in Hormel's efforts to grow its value-added business there.

Consumer Foods & Agribusiness

COMPANY STATISTICS

| | |
|---------------------------|-----------|
| 12-month Price Target | \$ 28 |
| Market Capitalization (M) | \$ 19,567 |
| Dividend | \$ 0.68 |
| Yield | 2.02% |
| Net Debt / EBITDA | -0.3x |
| Share Outstanding (M) | 538.0M |
| Current Quarter Estimate | \$ 0.41 |
| Current Quarter Consensus | \$ 0.42 |

FINANCIALS

| FYE Oct. | 2015A | 2016A | 2017A | 2018E | 2019E |
|------------|---------|---------|---------|---------|---------|
| P/E Ratio | 27.9x | 22.6x | 23.6x | 23.2x | 24.5x |
| EBITDA (M) | 1,242.1 | 1,456.9 | 1,411.6 | 1,444.7 | 1,379.4 |

| | | | | | | |
|-----------|----|------|------|------|------|------|
| EPS | Q1 | 0.35 | 0.43 | 0.43 | 0.41 | z |
| | Q2 | 0.33 | 0.40 | 0.39 | 0.40 | z |
| | Q3 | 0.28 | 0.36 | 0.34 | 0.35 | z |
| | Q4 | 0.37 | 0.45 | 0.41 | 0.43 | z |
| Total | | 1.33 | 1.64 | 1.57 | 1.60 | 1.51 |
| Consensus | | | | 1.64 | 1.73 | |

| | | | | | | |
|-----------|----|------|------|-------|------|------|
| Prior EPS | Q1 | 0.35 | 0.43 | 0.44A | 0.41 | z |
| | Q2 | 0.34 | 0.40 | 0.39A | 0.39 | z |
| | Q3 | 0.28 | 0.36 | 0.34A | 0.35 | z |
| | Q4 | 0.37 | 0.45 | 0.39 | 0.38 | z |
| Total | | | | 1.56 | 1.53 | 1.46 |

TVG UPSIDE / DOWNSIDE FROM CURRENT PRICE

